



MICHAEL J. MURPHY
State Treasurer

Fall 2002

The LOCAL View

Local Option Capital Asset Lending

A county treasurer's role in LOCAL

by **Rose Bowman**
Lewis County Treasurer

I had a huge learning curve in front of me when I was elected Lewis County Treasurer in 1995. The first thing I needed to do was figure out my job duties, especially as relates to the 68 taxing and assessment districts I serve as their statutory treasurer.

One of the first things to come to my attention was the constant use of registered warrants, particularly by some smaller school districts. While researching how to wean districts off registered warrants, which are a pain for the districts and the treasurer, I kept thinking that somehow our invested cash could play a role.

That is when RCW 39.59.020 (3) came to my attention. This authorizes the state and local governments to invest "... registered warrants of a local government in the same county as the government making the investment."

Bingo! In Lewis County we began working with our districts and developed a process for the treasurer to purchase all registered warrants in-house through our investment portfolio. Interestingly, many of the districts that once used registered warrants as a normal course of business now rarely have to issue them at all.

Next, I began to think how we in the treasurer's office could provide more assistance to our taxing districts, particularly the smaller districts and their small and short-term debt needs. Issuing debt through the individual bonding process often makes the cost of issuing small debt prohibitively expensive.

Along came State Treasurer Mike Murphy with a great idea that we now know as the LOCAL

program. One small challenge: we needed to tweak some statutes to give us the authority to develop the program and make it work. However, we took a bi-partisan team approach and managed to make the Legislature comfortable with the idea. Murphy's bill passed.

The program allows the Office of the State Treasurer (OST) to bundle smaller borrowings for multiple taxing districts around the state and issue a bond for the aggregate, thus allowing districts to reap the benefit of the state's borrowing power and credit rating. The result is an excellent interest rate and little or no cost to the districts for issuing the debt. The County Treasurer has the same role and responsibilities as with the issuance of any debt by one of our taxing districts.

In Lewis County, we were honored to help pioneer this process by having one of our taxing districts participate in the first issue under the LOCAL program.

The challenge for the taxing districts is timing the need for cash with the issues at the state treasurer's office. If the debt is to purchase equipment, there are four sales during the year. For real property, there are two sales.

Once again RCW 39.59.020 comes to our rescue. Here in Lewis County we are very hands-on with our districts and their applications to issue debt through LOCAL. We work closely with both the application and approval process. If the funding to purchase precedes the funding date from the state, the district can come to the county for interim financing through this RCW.

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[www.wa.gov/tre/
local.htm](http://www.wa.gov/tre/local.htm)

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Bonds dot.com: New BNY site to support local governments

By **Shad Pruitt**

Office of the State Treasurer

As part of the state of Washington's fiscal agent contract with The Bank of New York (BNY), the bank and the state have agreed that Internet technology will play a major role during the life of the four-year contract.

As fiscal agent, BNY provides paying agent, registrar, transfer agent, and other related securities-processing services for debt issues. The bank, in cooperation with a task force representing Washington governments, is developing a Website to support local and state government debt issuance reporting, primarily dealing with bond activity and billing.

BNY surveyed potential users for opinions on the structure and content of the site. Of 345 surveys mailed, approximately 40 percent

were returned with input about the data and reports governments use most frequently. As a result, governments will soon have access to information about their debt issues via the Internet. The site will initially include activity statements, debt service payments due (i.e., maturity bills), and invoices showing payment and administrative fees owed. Users will also be able to download debt information into Microsoft Excel, Word, Access or "text" files. This will save time for governments that manually enter data into internal accounting systems or databases.

BNY plans to open the site next winter or spring. Bank officials offered a preview of the prototype at the Washington Finance Officers Association conference in Yakima. Participants learned how to access information on their debt issues, including maturity bills, statements, invoices, and other reports.

How does the WFOA's 'nominal lessor' role work for LOCAL?

by **Bill Tonkin**

Foster Pepper and Shefelman, PLLC

We are asked from time to time why the Washington Finance Officers Association (WFOA) is involved in the LOCAL Program as "nominal lessor."

When the LOCAL Program finances real estate projects for local governments, the local agency enters into a site lease with WFOA, which then subleases the property to the state. The state in turn enters into a financing contract with the local agency covering both the site and the real estate improvements to be acquired and placed on the site.

In the case of financing equipment for state and local agencies, the state enters into a master financing contract with WFOA for the use and acquisition of that equipment.

The reason for WFOA's participation is simply that chapter 39.94 RCW authorizes the state, acting for itself or on behalf of certain other local government agencies, to enter into "financing contracts" for the use and purchase

of real or personal property. By definition, a contract legally must have at least two parties, and WFOA serves as the initial second party needed to create the "financing contract" authorized by law.

WFOA's role is brief and limited. It immediately assigns all its rights under the financing documents, including real estate site leases and master financing contracts for equipment, to The Bank of New York (BNY), fiscal agent of the state of Washington. BNY then receives all payments under the various financing contracts and applies them to pay owners of certificates of participation.

WFOA plays an important and necessary part in enabling the LOCAL Program to help state and local agencies meet their financing needs. The Office of State Treasurer selected WFOA for this role because it is a nonprofit corporation with an excellent understanding of those financing needs.

In addition, the LOCAL Program uses WFOA exclusively to help achieve an efficient and low-cost financing process.

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With LOCAL's help, Allyn boosts tourism with new kayak park

By **Bonnie Knight**

Port of Allyn

ALLYN, Mason County – We saw several years ago the value of establishing kayaking in Puget Sound's North Bay as a tourist draw, but the beach here is mud, muck and shells.



Bonnie Knight at the new park site

Also, with boats in and out, it gets very busy at times. Still, when the opportunity to purchase land came up, we recognized the value right away because it was adjacent to 250 feet of sandy shoreline, the only

really nice beach on North Bay.

We applied for grants from the Interagency Council on Outdoor Recreation (IAC) and the Department of Natural Resources. We lost out on the DNR grant, but we're on IAC's funding list to cover half the cost of purchase and 66 percent of the cost of development.

We had commitments from the county, PUD and Allyn Community Association to help with the project. With the tightened economy, legislative cuts were so severe that the IAC program under which we applied was cut in half and we were cut from the funding list.

We are a very small port, with only about \$170,000 in tax revenues. We would have lost the property. But through the LOCAL Program, we were able to secure the property.

We have already received support from the Washington Water Trails Association, from a newly formed Mason County Kayak Club, which has claimed this as their "home" park, and from local residents with clean-up.

We were able to remove a house which was an "attractive nuisance" and make the property usable. We have since learned we will get the IAC grant after all because other projects had excess funds, and we will be able to proceed with developing the property.

Clearly, without the LOCAL program we would have lost the property and a wonderful opportunity to secure water access for our citizens.

Now, we'll get a great boost for local tourism and new support for the local economy.

Quick fact

The LOCAL Program has financed nearly \$37 million in equipment and real estate for 146 local governments in Washington.

Come see us

LOCAL representatives will staff booths at two upcoming conferences:

Washington Fire Commissioners Association
Oct. 24-26
Sea-Tac

Washington State School Directors' Association
Nov. 13-16
Spokane

Website update ... Website update ... Website update ... Website update ...

The LOCAL web site (<http://www.wa.gov/tre/local.htm>) has been updated. Now you can find:

- Interest rates for fundings made in past year
- Application in Word format
- Most recent booklet
- Answers to frequently asked questions
- Newsletter archive

If there is other information you'd like to see on our Website, please let us know. Contact Pam Johnson, 360-902-9021, or pam@tre.wa.gov.

A county treasurer's role

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Once the loan application is approved, we get an official approval letter from LOCAL and have the district's board adopt a reimbursement resolution. We then issue a debt instrument in the form of a registered warrant. Our rate is 75 percent of prime interest as stated in the Wall Street Journal on the date of issue.

The debt instrument is signed by the district board and then purchased by the county treasurer as a part of our investment portfolio. The district now has the cash to make its needed purchase, and we are putting our tax dollars to work right here in Lewis County for the benefit of our taxpayers.

Once the state treasurer issues the COPs (certificates of par-

ticipation), the district calls its investment with us, we mature the instrument, and the deal is closed.

We have also used this process when a district needs an influx of cash for a short period of time. With our "registered warrant" process we've helped purchase ambulances, "jaws of life," fire trucks and land, and the list goes on.

I particularly like the fact that by forming these innovative partnerships among the county treasurer, the state treasurer and the local taxing district, everybody wins. The cost of issuing debt is greatly reduced; our reserve cash makes a difference in our own county.

Rose Bowman, a former state legislator, was elected Lewis County Treasurer in 1995.

Annual LOCAL financing schedules

Real estate

Cutoff	Approx. funding date	First payment due
Aug. 15	Nov. 1	June 1 (following year)
Feb. 15	May 1	Dec. 1 (year of issue)

Equipment

Cutoff	Approx. funding date	First payment due
Feb. 1	March 10	June 1 (year of issue)
May 1	June 15	Dec. 1 (year of issue)
Aug. 1	Sept. 10	Dec. 1 (year of issue)
Nov. 1	Dec. 15	June 1 (following year)



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